

CANADIAN NATIONAL RAILWAYS

Fifth Annual Report

OF THE
BOARD OF DIRECTORS
OF

The Canadian Northern Railway System

For the Year ended 31st December, 1920

NOTE:—Attention is particularly directed to the fact that this report covers only the operations of the Canadian Northern Railways Lines, forming a part of the Canadian National Railways.



OTTAWA
THOMAS MULVEY
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1920

Canadian Northern Railway System

BOARD OF DIRECTORS.

Mr. D. B. Hanna,	Toronto, Ont.
Mr. A. J. Mitchell,	" "
Mr. R. T. Riley,	Winnipeg, Man.
Mr. R. Hobson,	Hamilton, Ont.
Major G. A. Bell,	Ottawa, Ont.
Sir Hormisdas Laporte,	Montreal, Que.
Colonel Thomas Cantley,	New Glasgow, N.S.
Mr. A. P. Barnhill, K.C., D.C.L.,	St. John, N.B.
Mr. E. R. Wood,	Toronto, Ont.

GENERAL OFFICERS.

Mr. B. D. Hanna,	President
Mr. A. J. Mitchell,	Vice-President
Mr. C. A. Hayes,	Vice-President, in charge of Traffic
Mr. M. H. MacLeod,	Vice-President in charge of Operations
Mr. S. J. Hungerford,	Assistant Vice-President, in charge of Operations
Mr. R. C. Vaughan,	Assistant to President
Mr. A. J. Hills,	Assistant to President
Mr. Gerard Ruel,	General Counsel
Mr. R. P. Ormsby,	Secretary
Mr. A. E. Warren,	General Manager, Western Lines
Mr. F. P. Bradly,	General Manager, Eastern Lines
Mr. J. R. Cameron,	Assistant General Manager, Western Lines
Mr. W. A. Kingsland,	Assistant General Manager, Eastern Lines
Mr. Geo. Stephen,	Freight Traffic Manager
Mr. H. H. Melanson,	Passenger Traffic Manager
Mr. C. E. Friend,	Comptroller
Mr. J. D. Morton,	General Auditor
Mr. H. G. Foreman,	Assistant Treasurer
Mr. T. J. Macabe,	Registrar
Mr. E. A. Field,	Land Commissioner
Mr. W. Pratt,	Manager, S.D. and P. Cars and Hotel Department
Mr. A. E. Wilcox,	General Superintendent, Central District
Mr. B. T. Chappell,	General Superintendent, Prairie District
Mr. W. A. Brown,	General Superintendent, Western District
Mr. D. R. Campbell,	General Superintendent, Pacific District
Mr. D. Crombie,	General Superintendent, Ontario, District
Mr. J. E. Morazain,	General Superintendent, Quebec District
Mr. L. S. Brown,	General Superintendent, Maritime District
Mr. E. W. Oliver,	General Superintendent, Niagara District

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LONDON (ENGLAND) OFFICES.

Mr. R. M. Horne-Payne,.....Financial Representative
 Mr. Wm. Phillips,.....European Manager
 Mr. H. W. Harding,.....Local Secretary

FIFTH ANNUAL REPORT.

To the shareholders of the Canadian Northern Railway Company:—

The directors submit herewith the Fifth Annual Report covering the working of the Canadian Northern Railway System for the year ended December 31, 1919.

<i>Gross earnings—</i>	
From passenger traffic.....	\$ 10,775,708 46
From freight traffic.....	39,175,552 09
From express, mail and telegraphs.....	1,588,902 18
Miscellaneous earnings.....	2,022,014 84
	<hr/>
	\$ 53,562,177 57
Interest and profits from elevator and other subsidiary companies, investments, etc.....	1,791,752 61
	<hr/>
	\$ 55,353,930 18
<i>Working expenses.....</i>	\$ 60,034,023 92
Hire of equipment, taxes, rentals and miscellaneous charges.....	1,020,553 96
	<hr/>
	\$ 61,054,577 88
<i>Deficit.....</i>	\$ 5,700,647 70
Interest charges.....	19,969,710 36
	<hr/>
<i>Total deficit.....</i>	\$ 25,670,358 06

MILEAGE.

The total mileage operated at the end of the year was 9,685.7, compared with 9,566.5 at the end of 1918, being an increase of 119.2 miles. The average mileage in operation throughout the year was 9,636.9 miles.

OPERATING REVENUES.

Operating revenues for the year 1919 increased by \$6,252,165.66 over the previous 12 months, or 13.22 per cent. The increases were derived from—

Passenger traffic.....	\$ 2,951,264 02=37.72 p.c.
Freight traffic.....	2,439,682 63= 6.64 p.c.
Other.....	861,219 01=31.32 p.c.

TRAFFIC MOVEMENT.

The increase in passenger earnings in the year 1919 as compared with the previous year is due in part to the removal of restrictions on travel applicable to war time traffic, augmented by the movement of troops for demobilization.

As a result of the cessation of activities dependent on the war and the consequent cancellation of Government orders for munitions, foodstuffs, etc., a decline in business took place in the first half of the year. This was inevitable in a period of transition from war to peace. The loss in freight tonnage from January 1 to the end of July was one and a half million tons, after which the tonnage showed an increase over 1918 to the extent that by the end of the year the net loss in tonnage was cut down to 850,327 tons. A gratifying feature of the situation is the additional long haul business which is indicated by the increase of twenty-three miles in the average distance each ton of freight was hauled.

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While movements of live stock, lumber and building material show gains over last year, the declines in grain, coal and miscellaneous traffic more than offset these gains, resulting in loss of tonnage already mentioned as compared with 1918. The decline in coal traffic is due to the loss of shipments from Drumheller, Cardiff and Wayne during June, July and August, caused by the strike of the miners in the Alberta coal fields.

OPERATING EXPENSES

The increase of \$15,971,073.98 in operating expenses is nearly all due to higher wages. The general large increases in rates of pay granted during 1918 under the McAdoo series of advances which were reflected only in part in the operating expenses for the year ended December 31, 1918, show their full effect in this year's figures, and the total is increased by the effect of additional supplements issued during 1919 by the United States Railroad Administration and which, under arrangement between the Canadian Railway War Board and the Dominion Government, have been applied to the wages of railway employees in Canada. The total increase in expenses due to wages for the year was \$12,350,226.60 or 77.31 per cent of the total increase in operating expenses.

The deficit of \$5,700,647.70 is after crediting miscellaneous earnings and charging deductions from income. The actual operating deficit for the year is \$6,471,846.35 (See p. 24) as against net earnings of \$3,247,061.97 for 1918 and net earnings of \$7,443,369.41 for 1917. This loss between 1917 and 1919 of nearly fourteen million dollars in net earnings is a direct reflection of the improper relation existing between earnings and operating expenses. During these two years the abnormally large wage increase more than represent the loss in net earnings, as the following comparison of pay-roll totals shows:—

Total pay-roll for the year:

1917	1918	Inc. %	1919	Inc. %
\$20,871,397	\$29,269,906	40.24	\$41,620,133	42.19

It is of interest to note that for every dollar earned in the last year the railway had to pay out over 75 cents in wages.

As all elements of the railway's expenses enter into the production of transportation in the shape of train miles, the increase in the cost of running a train one mile tells better than any other unit the story of the railway's inability to make ends meet under conditions such as have existed in the past two years. When the large increases in the cost of materials and supplies are also considered, the difficulties of the situation will be more fully appreciated. The cost of running a train one mile increased from \$1.98 in 1917 to \$2.65 in 1918 to \$3.36 in 1919, the latter figure being an increase of 27 per cent over 1918 and 70 per cent over the cost in 1917. Gross earnings per mile of line increased from \$4,396 in 1917 to \$5,005 in 1918 and to \$5,558 in 1919, the 1919 Gross per mile being only 10 per cent over 1918 and 25 per cent over 1917. Under these conditions and with less than 1 per cent increase in train service, the net result for the last two years has been to convert net earnings of \$789.08 per mile of line in 1917 and \$343.53 in 1918 to a deficit of \$671.63 per mile for the year ended December 31, 1919. This change in the net earnings situation is entirely due to the conditions referred to in the preceding paragraphs.

In comparing the train mile expenses for the last three years, the higher percentage of expenses devoted to maintenance particularly in 1919 is worth noting as indicating that a larger percentage of the expenses is going towards the improvement of the roadway, structures and rolling stock.

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The cessation of hostilities having appreciably relieved the labour situation your company was enabled during 1919 to commence on the work of overtaking considerable maintenance of roadway, structures and equipment work which (as referred to in previous reports) had been unavoidably deferred by war conditions. The amount of money spent on deferred maintenance throughout the year is estimated at over \$4,500,000, which is included in operating expenses for the year.

The increase in revenue which higher rates were expected to bring has been greatly cut down by the falling-off in tonnage of certain commodities as compared with 1917, which, in common with other railways in Canada, has affected your line and has been most noticeable in respect to grain traffic.

This loss of tonnage and the extra expenditures due to taking up in part the deferred maintenance, with the conditions already referred to in respect to wages, etc., precluded the possibility of making any net earnings without a readjustment of transportation rates.

FREIGHT RATES.

The existing improper relationship between earnings and operating expenses is a condition which fortunately may be regarded as transitory. It is recognized in United States and Great Britain, as well as in Canada, that the railways cannot continue to provide transportation at practically pre-war rates.

Canadian and United States freight rates being generally on an equality, the general percentage of increase in the United States will in the opinion of your directors largely determine what the increase in Canada should be. From the statistics embodied in this report, it is clear that existing rates do not provide an adequate return.

With the United States railroads now handed back to the private owners with legislation passed providing that they are to receive "a fair return upon the aggregate value of the railway property" and this fair return for two years fixed at $5\frac{1}{2}$ per cent per annum and provision for an additional half of 1 per cent for equipment, betterments, etc., there is every reason to believe that freight rates will be fairly adjusted in the near future.

LAND DEPARTMENT.

Land Sales for the year were 79,053 acres for \$1,535,608.44, an average of \$19.42 per acre, compared with an average of \$19.45 for the preceding period.

During the same period sales previously entered into aggregating 32,403 acres were by mutual agreement cancelled, so that the acreage of land available for sale has been decreased by 46,650 acres, leaving a total of 772,309 acres unsold.

CAR TRUST OBLIGATIONS.

Additional car trust obligations were created during last year to the extent of \$22,500,000 for the purchase of equipment of different kinds, and \$4,705,000 was repaid in respect of previous obligations, thus making the net increase \$17,795,000, and leaving the total amount of car trust obligations outstanding at December 31, 1919, \$32,936,000.

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NEW EQUIPMENT.

Motive power and rolling stock ordered in the year ended December 31, 1919, were as follows:—

25 Pacific type engines.	130 colonist cars.
25 six-wheel switch engines.	20 tourist cars.
750 box cars.	18 standard sleepers.
800 wooden stock cars.	13 compartment observation cars.
550 dump cars.	20 first-class coaches.
500 flat cars.	20 mail cars.
250 Hart ballast cars.	9 dining cars.
150 refrigerator cars.	6 snow ploughs.
30 steel baggage cars.	5 cabooses.
6 flangers.	

CONSTRUCTION AND BETTERMENTS.

As referred to in your directors' previous report, the construction programme for 1919 contemplated the completion of certain branch lines in Western Canada which were under construction at the outbreak of the war. Work was done on the following lines:—

Acadia Valley Extension, Jack Fish Lake Extension, Onoway Extension, Alsask Southeasterly, Luck Lake Extension, Peebles-Lampman Extension, Amaranth Northerly, Melfort-Humbolt Extension, Gravelbourg Extension, Eston Southeasterly, Melfort Northeasterly, Thunderhill Extension, Hanna Southeasterly, Oliver Northeasterly, Kamloops-Kelowna-Lumby Branch.

While conditions governing labour and materials prevented as great progress being made on these lines last year as was hoped for, the major portion of the work on these branches is expected to be completed this year.

Work on the improvement and betterment programme was carried on throughout the year. 550 miles of track had existing rails changed to heavier section. 101 temporary structures were replaced with permanent work; 11 timber trestles were partly filled. Diversions at Falding and Grenville and on the Sudbury subdivision were completed. The work of replacing the line along the St. Lawrence river west of Quebec, washed out by the tidal wave of 1918, was nearly completed. Much additional trackage for operating purposes was constructed, namely; 45 passing tracks, 19 siding extensions, 32 transfer, storage and other tracks. Among the buildings erected were 27 stations, 6 freight sheds, 39 section-houses, 36 bunk-houses, 3 express buildings. Additions and improvements were made to various roundhouses, machine and car shops. Good progress was made on reballasting. Important structures completed during the year were the Vancouver passenger terminal and the St. Charles River bridge at Quebec. The value of these improvements and betterments has been already demonstrated in improved operating conditions. Your directors are pleased to report that upon their recommendations amounts for expenditure on capital account have been included in the Government's estimates for the year which will enable the improvement and betterment programme to be continued, thus equipping your System to better perform the transportation service of the country and particularly to handle economically those increases in traffic which, it is your directors' firm belief, will result coincident with the progress of the Dominion and which may largely be expected to take place in the areas served by your lines.

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CANADIAN GOVERNMENT MERCHANT MARINE, LIMITED.

Reference was made in last year's annual report to the ocean steamship service established through the Canadian Government Merchant Marine, Limited. This service has continued with success, and as new boats are delivered the service will be enlarged and extended.

To date sixty-three vessels have been ordered by the Department of Marine, with a total deadweight tonnage of 380,615 tons. Of this number nineteen were in service at the 31st December, 1919, and since that date several additional vessels have been delivered by the builders and put in operation.

While the builders have been delayed in the construction of these vessels, due to various causes, so that it is difficult to estimate deliveries definitely, yet it is hoped that by the end of the year there will be nearly sixty vessels in service.

The operation of the services established has up to date shown a substantial return. The Canadian National Railways also benefit from the earnings on goods moving to and from ocean ports in connection with the services operated by these vessels.

OUTLOOK FOR THE FUTURE.

Your directors view the future with the confidence based on knowledge of the particularly favourable location of the system's lines and the general good character of the country served. The railway property of your system has invested in it not less than 550 million dollars. It is not held by your directors that because the year's operations resulted in a deficit, the value of this great investment is impaired. The conditions which have resulted in the present improper relation between earnings and expenses have been stated. Under existing rates United States railways are acknowledged to be going behind their pre-war record at about the rate of a million dollars a day. The increase in the value of the services performed by your railway may be illustrated by the rise in wholesale prices, and when this is contrasted with the almost stationary ton mile and passenger mile receipts, the inadequacy of the present rates needs no further comment.

The prospect in the near future of having the lines of the Grand Trunk system co-ordinated with those of the Canadian Northern and other Government-owned railways presents favourable opportunities of increased traffic for your system; and the benefits which will result from the inclusion of the Grand Trunk lines in the National system, while difficult to definitely estimate, are certain to prove substantial. As noted in previous reports, the Canadian Northern Railway operated under a great disadvantage in not having a Niagara frontier line and connection in eastern Ontario with United States lines. These the Grand Trunk will provide. The consolidation also removes restrictions on traffic interchange to territory served by the Grand Trunk system, which will certainly prove to be of great benefit to the National system.

Traffic returns since the first of January indicate that tonnage on your lines is running about $8\frac{1}{2}$ per cent over the movement in the same period last year. This is a particularly good showing in view of the much colder weather experienced this winter.

There is no doubt that housing facilities are much behind the demand in practically all communities, and a large movement in building materials may be expected. There are large road building programmes under way which should also produce increased tonnage in certain commodities.

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Immigration, which on the outbreak of the war fell away rapidly, is according to late reports reviving. The return to pre-war immigration figures would have a most beneficial effect in restoring those conditions of expansion which before the war were so general along much of your western mileage.

The live stock industry in Western Canada continues to thrive and is developing most remarkably. The province of Saskatchewan now ranks first in the production of horses in Canada.

The importance of the Drumheller coal field development to Western Canada and particularly to the areas served by your line was well demonstrated when the supply of coal from United States mines was interrupted through the general strike which occurred in October last. The situation showed how generally dependent many other sections of this country are on the United States for supplies of coal. The double tracking of the line between Drumheller and Munson Junction has been completed and the output of the twenty-three mines in the district is being distributed to a constantly widening field of consumers, with increasing gross revenue to your company.

It is a matter of congratulation that His Royal Highness the Prince of Wales has chosen the purchase of a ranch in Western Canada as one means of practically identifying himself with Canadian development and as a permanent reminder of his first visit to Canada. Your directors cannot let this opportunity pass of expressing the hope that the royal example will be followed by many from Great Britain, not only in the matter of making a tour of Canada, but in acquiring property here. Your directors feel this can only result in good for the Imperial cause. The visit of H.R.H. the Prince of Wales to various points on the lines of your system was successfully accomplished and the entire Canadian tour was one unbroken success.

It is with the greatest regret that your directors have to record the death on January 24, 1920, of Mr. Z. A. Lash, K.C., L.L.D., Senior Counsel of your system. Mr. Lash, as chief legal adviser of the company for nearly twenty years, gave invaluable advice and counsel to the executive during the construction and development period of your railway and extended this service to your directors up to the time of his death.

ORGANIZATION AND STAFF.

Your directors are glad to report that the rearrangement of official personnel and general amalgamation of staff with that of the Canadian Government Railways has proved to be most satisfactory. The two systems have worked together as one and there has been the fullest co-operation between employees and management, and the board desires to express its thanks for the loyal and efficient services rendered during the year.

D. B. HANNA,
President.

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CONSOLIDATED BALANCE SHEET AT 31ST DECEMBER, 1919.

ASSETS.

Investments—

Property investment—

Investment in road and equipment, including proportion of Discount on funded debt.....	\$ 538,044,748 01	
Acquired securities (Exhibit A).....	46,312,995 10	
Terminal and other properties.....	6,724,828 14	
		\$ 591,082,571 25

Cash and victory bonds in trust accounts held in respect of construction work, sinking funds and other special accounts—

Dominion Government.....	1,354,096 61	
Province of Manitoba.....	50,616 94	
Province of Saskatchewan.....	1,202,825 24	
Province of Alberta.....	2,368,169 75	
Province of Ontario.....	223,048 49	
Province of British Columbia.....	2,126,367 96	
National Trust Company.....	3,260,489 35	
British Empire Trust Company.....	92,953 34	
British Empire Trust Company (trustees account).....	37,441 39	
Guardian Trust Company.....	895 60	
Pennsylvania Company <i>re</i> Equipment Series A (1918) and B (1919).....	401,388 49	
Fidelity Trust Company <i>re</i> Equipment Series D (1919).....	7,500,000 00	
Sinking funds.....	535,879 47	
		19,154,172 63
Lands unsold.....		18,902,775 00
Other investments (at cost).....		3,015,498 57
		632,155,017 45

Current Assets—

Cash in bank.....	2,762,064 18	
Balance due from agents, station balances, etc. (net).....	2,738,623 28	
Miscellaneous accounts receivable.....	8,338,439 13	
Deferred payments on account of land sales and accrued interest.....	7,162,025 14	
Materials and supplies on hand (as per books).....	10,375,300 02	
		31,376,451 75

Deferred Charges—

Proportion of Discount on funded debt.....	1,851,638 32	
Insurance premiums unexpired.....	1,209,937 09	
Unadjusted debits (net balance).....	732,034,07	
		3,793,609 48

Advances by the Canadian Northern Railway Company to affiliated companies, per contra.....

11,236,675 41

Profit and loss account balance.....	9,535,527 52	
	\$ 688,097,281 61	

NOTE: The Ontario Government questions the title of the Canadian Northern Ontario Railway to the lands granted in respect of construction of lines in Ontario which are valued by the company \$6,000,000.

LIABILITIES.

Stock—

Capital stock—Common.....	\$ 100,000,600 00	
“ “ —Affiliated companies.....	\$ 77,179,500 00	
Less: Held in Treasury.....	71,264,800 00	
		5,914,700 00
		105,915,300 00

Long term funded debt—

Canadian Northern Railway (Exhibit B).....	\$ 126,301,675 57	
Affiliated companies (Exhibit C).....	127,771,711 77	
	254,073,387 34	
Five per cent income charge convertible debenture stock.....	24,999,400 00	
Equipment trust obligations.....	32,936,000 00	
		312,008,787 34
Demand and short term loans secured by Collateral or Mortgage.....		62,836,177 60
Dominion of Canada.....		165,230,657 89

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LIABILITIES—*Concluded.*

Current liabilities—

Audited vouchers and other floating liabilities.....	15,135,020 67	
Pay-rolls.....	3,663,762 42	
Interest and equipment obligations matured.....	2,988,906 01	
Accrued interest on bonds, loans and equipment securities.....	4,234,156 17	
Taxes accrued.....	670,300 28	
		26,692,145 55

Reserves—

Steamship Replacement Fund.....	3,310,019 45	
Equipment Replacement Fund.....	259,696 04	
Insurance Fund.....	607,822 33	
		4,177,537 82

Advances to affiliated companies by Canadian Northern Railway Company (per contra).....	11,236,675 41	
		\$ 688,097,281 61

C. E. FRIEND,
Comptroller.

AUDITOR'S CERTIFICATE.

We have examined the books and records of the Canadian Northern Railway System for the twelve months ended 31st December, 1919, and we certify that in our opinion the above Balance Sheet is properly drawn so as to exhibit a true and correct view of the affairs of the System at 31st December, 1919, and is in accordance with the books and the explanations and information given us.

GEO. A. TOUCHE & CO., Chartered Accountants,
Auditors.

TORONTO, ONT., May 6th, 1920.

SURPLUS ACCOUNT.

INCOME STATEMENT FOR FISCAL YEAR ENDED DECEMBER 31, 1919.

Revenue.....	\$ 53,562,177 57	
Subsidiary miscellaneous earnings.....	1,791,752 61	
		\$ 55,353,930 18
Working expenses.....	60,034,023 92	
Taxes, rentals, joint facilities, etc.....	1,020,553 96	
		61,054,577 88
Loss on operating.....		\$ 5,700,647 70
Fixed charges—		
Canadian Northern Railway.....	8,012,969 65	
Affiliated companies.....	4,895,112 71	
Interest on demand and short term notes and loans:—		
Government.....	6,939,373 68	
Other (net balance).....	122,254 32	
		19,969,710 36
Deficit carried to profit and loss statement.....		\$ 25,670,358 06

PROFIT AND LOSS STATEMENT AT DECEMBER 31, 1919.

Deficit on income account for the year.....	25,670,358 06	
Discount, etc. on funded debt.....	472,682 09	
Delayed income, debits and credits, debit balance.....	1,324,711 98	
		27,467,752 13
Deduct—		
Surplus brought forward at December 31, 1918.....	17,932,224 61	
Total deficit at December 31, 1919, carried to balance sheet.....		\$ 9,535,527 52

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EXHIBIT A.

ACQUIRED SECURITIES.

The Minnesota & Ontario Bridge Company—	
4½ p.c. 1st mortgage debenture bonds.....\$	180,000 00
Capital stock.....	100,000 00
The Minnesota & Manitoba R.R. Co.—	
5 p.c. general mortgage bonds.....	250,000 00
Capital stock.....	400,000 00
The Lake Superior Terminals Company, Limited—	
5 p.c. mortgage gold bonds.....	2,000,000 00
Capital stock.....	500,000 00
The Canadian Northern Telegraph Company—	
5 p.c. general mortgage bonds.....	2,000,000 00
Capital stock.....	500,000 00
The Winnipeg Land Company, Limited—	
5 p.c. first mortgage gold bonds.....	300,000 00
Capital stock.....	100,000 00
The St. Boniface Western Land Company—	
5 p.c. first mortgage bonds.....	750,000 00
Capital stock.....	250,000 00
The Edmonton & Slave Lake Railway Company—	
5 p.c. first mortgage bonds.....	420,000 00
The Canadian Northern Railway Express Company, Limited—	
4 p.c. first mortgage gold bonds—£616,438.....	3,000,000 00
Capital stock.....	1,000,000 00
Canadian Northern Steamships, Limited—	
Capital stock.....	2,000,000 00
Canadian Northern System Terminals, Limited—	
5 p.c. first mortgage debenture stock and bonds.....	7,000,000 00
Capital stock.....	2,000,000 00
The Bay of Quinte Railway Company—	
Preferred stock.....	465,000 00
Common stock.....	930,000 00
Central Ontario Railway—	
Preferred stock.....	291,000 00
Common stock.....	3,038,000 00
The Irondale, Bancroft & Ottawa Railway Company—	
5 p.c. first mortgage bonds.....	450,000 00
Capital stock.....	53,000 00
The Marmora Railway & Mining Company—	
Bonds of Ontario, Belmont & Northern Railway.....	100,000 00
Capital stock.....	100,000 00
The Qu'Appelle, Long Lake & Sask. Railroad & Steamboat Company—	
Capital stock.....	201,000 00
The Niagara, St. Catharines & Toronto Railway Company—	
Capital stock.....	922,500 00
The Niagara, St. Catharines & Toronto Navigation Company, Ltd.—	
First mortgage bonds.....	200,000 00
The Quebec & Lake St. John Railway Company—	
Capital stock.....	4,034,700 00
The Canadian Northern Pacific Railway Company—	
Capital stock.....	25,000 000 00
The Canadian Northern Alberta Railway Company—	
Capital stock.....	3,000,000 00
The Canadian Northern Western Railway Company—	
Capital stock.....	2,000,000 00
The Canadian Northern Saskatchewan Railway Company—	
Capital stock.....	1,000,000 00
The Canadian Northern Manitoba Railway Company—	
Capital stock.....	250,000 00
The Canadian Northern Ontario Railway Company—	
Capital stock.....	10,000,000 00
The Duluth, Winnipeg & Pacific Railway Company—	
Capital stock.....	3,060,000 00
The Mount Royal Tunnel & Terminal Company, Limited—	
Capital stock.....	5,000,000 00
The Northern Consolidated Holding Company, Limited—	
Capital stock.....	4,446,700 00

This Company whose issued capital is \$6,181,500 owns \$5,064,600 capital stock in the Canadian Northern Quebec Railway Company.

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EXHIBIT A—*Concluded.*ACQUIRED SECURITIES—*Concluded.*

The Canadian Northern Quebec Railway Company—	
Capital stock.....	2,080,000 00
The Halifax & South Western Railway Company—	
Capital stock.....	925,000 00
The Bessemer & Barry's Bay Railway Company—	
Capital stock.....	125,000 00
The Toronto Eastern Railway Co.—	
5 p.c. first mortgage debenture bonds.....	900,000 00
Capital stock.....	250,000 00
The Toronto Suburban Railway Co.—	
Capital stock.....	1,500,000 00
Total acquired securities.....	\$ 93,071,900 00
Cost to the railway company.....	\$ 46,312,995 10

EXHIBIT B.

FUNDED DEBT OF THE CANADIAN NORTHERN RAILWAY COMPANY.

GUARANTEED AS TO PRINCIPAL AND INTEREST BY THE DOMINION OF CANADA.

	Sterling.	Currency.
3 p.c. 1st mortgage debenture stock.....	£1,923,287	\$ 9,359,996 72
3½ p.c. 1st mortgage debenture stock.....	1,622,587	7,896,588 26
4 p.c. Dominion guaranteed debenture stock.....		17,060,333 33

GUARANTEED BY GOVERNMENT OF MANITOBA.

4 p.c. Consolidated debenture bonds.....	2,215,900	10,784,046 65
Underlying Bonds—		
4 p.c. Sifton branch bonds.....	233,700	1,137,340 00
4 p.c. Gilbert Plains branch bonds.....	500	2,433 33
4 p.c. Manitoba & S.E. bonds.....	105,300	512,460 00
4 p.c. Ontario Division bonds.....	1,180,600	5,745,586 66
4 p.c. Winnipeg Terminal bonds.....	616,438	3,000,000 00
4 p.c. 1st mortgage debenture stock.....	587,671	2,859,998 87

GUARANTEED BY GOVERNMENT OF SASKATCHEWAN.

4 p.c. 1st mortgage debenture stock.....	1,650,000	8,029,999 99
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GUARANTEED BY GOVERNMENT OF ALBERTA.

4 p.c. 1st mortgage debenture stock.....	1,147,945	5,586,665 64
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4 p.c. perpetual consolidated debenture stock.....	9,234,867	44,943,019 40
4 p.c. Land Grant bonds (1909).....	294,700	1,434,206 72
5 p.c. Land mortgage debentures.....	1,500,000	7,300,000 00
4½ p.c. Prince Albert branch bonds.....		300,000 00
Long Term loan at 4 p.c. against deposit of \$352,000 bonds of Minnesota and Manitoba R.R. Company payable 1930.....		349,000 00
		\$126,301,675 57

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EXHIBIT C.

FUNDED DEBT OF AFFILIATED COMPANIES.

	Sterling.	Currency.
The Canadian Northern Alberta Railway Company— Guaranteed by Dominion Government— 3½ p.c. 1st mortgage debenture stock.....	£647,260.0.0	\$3,149,998 66
Canadian Northern Western Railway Company— Guaranteed by Government of Alberta— 4½ p.c. 1st mortgage debenture bonds (1943)..... 4½ p.c. 1st mortgage debenture stock (1942).....	575,342.0.0 1,320,000.0.0	2,799,997 73 6,424,000 00
Canadian Northern Pacific Railway Company— Guaranteed by Government of British Columbia— 4 p.c. 1st mortgage debenture stock..... 4½ p.c. Terminal debenture stock.....	3,372,329.0.0 1,770,000.0.0	16,412,001 13 8,614,000.00
The Canadian Northern Ontario Railway Company— Guaranteed by Dominion Government— 3½ p.c. 1st mortgage debenture stock.....	7,033,561.0.0	34,229,996 87
Guaranteed by Government of Ontario— 3½ p.c. 1st mortgage debenture stock..... 4 p.c. perpetual consolidated debenture stock.....	1,615,068 0.0 1,866,499 0.0	7,859,997 59 9,083,628 46
Central Ontario Railway— 5 p.c. 1st mortgage bonds.....	176,800.0.0	860,426 69
The Bay of Quinte Railway Company— 5 p.c. 1st mortgage bonds.....		780,000 00
The Canadian Northern Quebec Railway Company— 4 p.c. perpetual consolidated debenture stock.....	1,078,843.0.0	5,250,369 26
Great Northern Railway of Canada, 4 p.c. bonds.....		3,505,750 00
The Quebec and Lake St. John Railway Company— 4 p.c. 1st mortgage perpetual debenture stock.....	895,688.0.0	4,359,014 93
Duluth, Winnipeg and Pacific Railway Company— 4 p.c. 1st mortgage debenture stock.....	1,440,683.0.0	7,011,323 98
Duluth, Rainy Lake and Winnipeg Railway Company— 5 p.c. 1st mortgage bonds.....		2,000,000 00
The Halifax and South Western Railway Company— 3½ p.c. 1st mortgage bonds.....		4,447,000 00
The Niagara, St. Catharines and Toronto Railway Company— 5 p.c. 1st mortgage bonds.....		1,098,000 00
The Qu'Appelle, Long Lake & Saskatchewan Railroad and Steamboat Company— 4 p.c. 1st mortgage guaranteed debenture stock.....	1,031,412.6.0	5,019,539 86
Mount Royal Tunnel & Terminal Company, Limited— 5 p.c. 1st mortgage rent charge bonds.....	460,000.0.0	2,238,666 66
Toronto Suburban Railway Company— 4½ p.c. 1st mortgage debenture stock.....	540,000.0.0	2,628,000.00
		<u>\$127,771,711 77</u>

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OPERATING REVENUE, OPERATING EXPENSES AND NET EARNINGS, YEAR ENDED DECEMBER 31, 1919, COMPARED WITH PREVIOUS FISCAL YEAR.

OPERATING REVENUES.

Per Cent.	1919	Class.	1918	Per Cent.
	\$ cts.		\$ cts.	
20 12	10,775,708 46	Passenger.....	7,824,444 44	16·54
73·14	39,175,552 09	Freight.....	36,735,869 46	77·65
0·70	374,926 26	Mails.....	245,187 12	0·52
2·26	1,209,645 65	Express.....	964,617 55	2·04
3·78	2,026,345 11	Miscellaneous.....	1,539,893 34	3·25
100·00	53,562,177 57	Total.....	47,310,011 91	100·00

OPERATING EXPENSES.

Per Cent.	1919	Class.	1918	Per Cent.
	\$ cts.		\$ cts.	
26·49	15,905,058 62	Maintenance of way and structures	9,060,264 79	20·56
19·27	11,569,896 52	Maintenance of equipment.....	8,498,673 11	19·29
1·72	1,031,282 13	Traffic expenses.....	797,181 68	1·81
48·31	29,002,877 63	Transportation expenses.....	23,907,348 28	54·26
1·60	958,449 37	Miscellaneous operations.....	576,071 12	1·31
2·61	1,566,459 65	General expenses.....	1,223,410 96	2·77
100·00	60,034,023 92	Total.....	44,062,949 94	100·00

SUMMARY OF REVENUES AND EXPENSES.

Per Cent.	1919	Class.	1918	Per Cent.
	\$ cts.		\$ cts.	
	53,562,177 57	Operating expenses.....	47,310,011 91	
112·08	60,034,023 92	Operating expenses.....	44,062,949 94	93·13
-12·08	-6,471,846 35	Net earnings.....	3,247,061 97	6·87
100·00				100·00

DESCRIPTION OF FREIGHT CARRIED.

		For the Year ended Dec. 31st.		
		1919	1918	1917
Flour.....	Sacks (100 lbs. each)	8,978,640	8,904,498	7,138,927
Grain.....	Bushels.....	91,373,574	93,985,078	112,971,191
Live stock.....	Head (all kinds)....	834,991	654,583	609,409
Logs and lumber.....	Feet (M.F.).....	1,928,698	1,614,829	1,970,656
Firewood.....	Cords.....	329,138	362,118	334,489
Coal.....	Tons.....	2,174,207	2,373,985	2,126,334
Immigrants' effects.....	Cars.....	4,728	5,279	3,958
Building material (lime, stone, brick, sand, etc.).....	Cars.....	34,076	29,794	33,340
Miscellaneous.....	Tons.....	3,142,961	4,048,065	4,269,115

EARNINGS, EXPENSES AND NET EARNINGS PER MILE OPERATED YEARS ENDED DECEMBER 31.

Year	Average Miles Operated	Earnings		Expenses		Net Earnings	
		\$	cts.	\$	cts.	\$	cts.
1917.....	9.433	4,396	27	3,607	19	+	789 08
1918.....	9.452	5,005	29	4,661	76	+	343 53
1919.....	9.636	5,558	55	6,230	18	-	671 63

FIXED CHARGES PER MILE OF LINE

	1919	1918	1917
	\$ cts.	\$ cts.	\$ cts.
Amount required per mile of road to pay fixed charges (including leased lines).....	2,072 41	1,893 60	1,695 24

PASSENGER, FREIGHT AND MISCELLANEOUS STATISTICS FOR FISCAL YEARS ENDED DECEMBER 31, 1917, 1918, AND 1919

	1919	1918	1917
PASSENGER TRAFFIC			
Passengers carried (earning revenue).....	4,925,547	4,114,965	4,503,958
Passengers carried one mile.....	344,773,029	288,067,800	293,322,255
Passengers carried one mile per mile of road.....	36,256	30,477	31,425
Average distance carried.....	70.00	70.01	65.13
Total passenger revenue.....\$	9,629,460.01	7,128,141.55	6,437,305.25
Average amount received per passenger.....\$	1.95.500	1.73.225	1.42.925
Average amount received per passenger per mile.. Cts.	.2.793	.2.474	2.194
Total passenger train earnings.....\$	11,811,612.85	8,783,084.63	7,970,489.84
Passenger train earnings per train mile.....\$	1.53.575	1.28.903	1.14.649
FREIGHT TRAFFIC			
Revenue tons carried.....	12,439,314	13,289,641	13,834,676
Revenue tons carried one mile.....	4,046,023,363	4,021,275,963	4,328,241,986
Revenue tons carried one mile per mile of road.....	425,472	425,442	463,707
Average distance haul of one ton.....	325.26	302.59	312.86
Total freight revenue.....\$	38,276,419.06	35,674,816.63	31,134,034.68
Average amount received for each ton of freight.....\$	3.07.705	2.68.441	2.25.043
Average revenue per ton per mile..... Cts.	.946	.887	.719
Total freight train earnings.....\$	39,010,667.80	36,719,136.76	31,937,926.59
Freight train earnings per train mile.....\$	3.34.877	3.24.220	2.69.118
TRAIN MILEAGE			
Mileage of passenger trains.....	5,864,271	5,044,607	5,037,334
Mileage of freight trains.....	9,822,281	9,556,238	9,952,918
Mileage of mixed trains.....	1,826,898	1,769,124	1,914,725
EXPENSES PER TRAFFIC TRAIN MILE			
Maintenance of way and structures.....Cts.	89.45	54.67	41.28
Maintenance of equipment.....Cts.	65.05	51.12	35.39
Traffic expenses.....Cts.	5.82	4.79	4.52
Transportation expenses, rail.....\$	1.61.96	1.43.69	1.05.83
Transportation expenses, water.....Cts.	0.11	-	-
Miscellaneous operations.....Cts.	5.34	3.52	3.23
General expenses.....Cts.	8.51	7.10	7.42
Total.....\$	3.36.24	2.64.89	1.97.67

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OPERATIONS OF ELECTRIC LINES NOT INCLUDED IN STATEMENT ON PREVIOUS PAGE

ELECTRIC LINE STATISTICS			
Passengers carried (earning revenue).....	11,281,694	6,036,625	5,859,032
Total passenger revenue.....\$	909,985.72	504,319.84	441,675.72
Revenue tons carried.....	383,130	409,704	423,642
Total freight revenue.....\$	280,489.07	252,746.20	225,809.38

SUMMARY OF EQUIPMENT

	At December 31			
	1919	1918	1917	1916
Locomotives.....	850	788	735	740
Sleeping and dining cars.....	114	116	116	117
Passenger coaches.....	741	596	624	635
Baggage, mail and express cars.....	227	191	187	190
Business cars.....	26	25	22	22
Freight, refrigerator and stock cars.....	37,457	31,828	29,489	29,368
Conductors' vans.....	438	426	443	454
Boarding, tool, auxiliary cars, steam shovels and snow equipment.....	1,775	1,676	1,520	1,272

MILES OF RAILWAY.

The total mileage operated at the close of the fiscal year ended December 31, 1919, including lines owned and leased, was 9,685.7 miles, made up as follows:—

CENTRAL DISTRICT—WEST OF PORT ARTHUR

<i>Division No. 3—</i>			
Port Arthur to Paddington Junction.....	435.1		
Twin City to North Lake.....	58.1		
Emerson to South Junction.....	71.6		
Duluth Junction to River D.W. & P.....	1.15		
			566.3
<i>Division No. 4—</i>			
Portage Junction to Emerson.....	63.4		
Morris to Somerset.....	62.2		
St. James to Gypsumville.....	156.7		
Grosse Isle to Hodgson.....	80.7		
Greenway to Deloraine.....	79.7		
Paddington Junction to Victoria Beach and Grand Beach.....	72.6		
Carman Junction to Belmont.....	118.8		
Steep Rock Junction to Steep Rock.....	12.0		
De Lourdes Branch.....	2.6		
Winnipeg Transfer Tracks.....	1.2		
Dundee Branch.....	4.0		
Paddington Junction to Woodward Ave.....	4.2		
			658.1
<i>Division No. 5—</i>			
Woodward Ave. to Dauphin.....	175.6		
Delta Junction to Delta.....	14.8		
Oakland to Amaranth.....	44.0		
Arizona Junction to Brandon.....	78.8		
Neepawa Junction to McCreary Junction.....	70.4		
Brandon Junction to Carberry Junction.....	22.9		
Rosburn Junction to Ross Junction.....	190.6		
Hallboro to Beulah.....	75.0		
Ochre River to End of Track.....	15.0		
Wroxton to Willowbrook.....	41.0		
Totogan Junction to Totogan.....	1.8		
			729.9
<i>Forward.....</i>			1,954.3

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Forward..... 1,954.3

PRAIRIE DISTRICT

Division No. 1—

Brandon to Regina.....	220.3	
Maryfield to Radville.....	139.8	
Luxton to Estevan.....	24.9	
M. & B. Junction to Hartney Junction.....	38.0	
Belmont to Virden.....	91.9	
Radville to Bengough.....	45.2	
Moose Jaw Junction to Moose Jaw.....	85.8	
Gravelbourg Junction to Gravelbourg.....	78.6	
		724.5

Division No. 2—

Dauphin to Humbolt.....	247.3	
North Junction to Prince Albert.....	360.5	
Sifton Junction to Winnipegosis.....	20.7	
Thunderhill Jct. to Preeceville.....	72.1	
Hudson Bay Junction to The Pas.....	87.5	
Melfort to St. Brieux.....	21.5	
Canora to Sturgis Junction.....	21.7	
		831.3

Division No. 3—

Regina to East Prince Albert.....	249.3	
Saskatoon to Kindersley.....	126.1	
Delisle to Dunblane.....	59.4	
Elrose Junction to Glidden.....	104.0	
Humboldt to North Battleford.....	147.6	
Dalmeny to Carlton.....	35.8	
Prince Albert to Denholm.....	116.5	
Shellbrook to Big River.....	56.5	
Craven Junction to Craven.....	4.4	
		899.6

WESTERN DISTRICT

Division No. 1—

North Battleford to Turtleford.....	55.7	
Battleford Junction to Battleford.....	8.0	
Edmonton Junction to Stoney Plains.....	19.4	
St. Albert to Athabaska.....	85.8	
Edmonton & South Edmonton Terminals.....	11.1	
Peace River Junction to Sangudo.....	33.4	
Vegreville Junction to Big Valley.....	125.3	
Warden to Brazeau.....	174.0	
Terminal Junction to Camrose Junction.....	45.8	
S.E. Junction to Alliance.....	59.3	
North Battleford to Lobstick Junction.....	331.0	
		948.8

Division No. 2—

Kindersley to Calgary.....	273.4	
Big Valley to Munson Junction.....	36.0	
Junction with New Branch Line to 50.2 M.P.....	50.2	
		359.6

PACIFIC DISTRICT

Lobstick Junction to Chiplake.....	13.2	
Chiplake to Obed.....	77.5	
Obed to Snaring.....	59.1	
Snaring to Geikie.....	20.6	
Geikie to Red Pass Junction.....	34.8	
Red Pass Junction to Blue River.....	88.7	
Blue River to Kamloops.....	142.2	
Kamloops to Boston Bar.....	125.6	
Boston Bar to New Westminster.....	118.7	
New Westminster to Vancouver.....	13.1	
Victoria to Patricia Bay.....	15.5	
		709.0

Forward..... 6,427.1

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Forward..... 6,427.1

ONTARIO DISTRICT—EAST OF PORT ARTHUR.

Toronto Division—

Toronto (Union Station) to Rosedale.....	3.8	
Rosedale to Parry Sound.....	145.2	
Udney to Orillia.....	10.2	
Todmorden to Trenton.....	105.0	
Trenton to Wallace.....	117.6	
Ormsby Junction to Coe Hill.....	7.2	
York River to Howland.....	51.0	
Belmar to Cordova.....	9.6	
Bessemer Junction to Bessemer.....	4.8	
Oshawa to Oshawa Town.....	2.4	
		456.8

Ottawa Division—

Trenton to Rideau Junction.....	139.7	
Rideau Junction to Hurdman.....	6.0	
Picton to Trenton.....	30.6	
Yarker to Bannockburn.....	54.5	
Harrowsmith to Kingston.....	18.6	
Brookville to Westport.....	44.4	
Rideau Junction to Brent.....	157.8	
Riverside to Ottawa (Union Station).....	1.7	
		453.3

Nipissing Division—

Brent to Capreol.....	144.8	
Parry Sound to Capreol.....	127.0	
Key Junction to Key Harbour.....	6.2	
Garson Junction to Garson.....	3.7	
Sudbury junction to Sudbury.....	5.2	
Capreol to Foleyet.....	148.3	
Sellwood Junction to Sellwood.....	4.7	
Algoma Eastern Ry. Connection.....	2.4	
		442.3

Superior Division—

Foleyet to Hornepayne.....	148.1	
Hornepayne to Jellicoe.....	150.5	
Jellicoe to Port Arthur.....	147.9	
		446.5

QUEBEC DISTRICT.

Montreal Division—

Montreal (Tunnel Station) to Lazard.....	7.3	
Lazard to Hurdman.....	104.3	
Montreal (St. Catharine St.) to Joliette.....	36.3	
Joliette to Quebec.....	139.8	
Paradis to Rawdon.....	15.7	
Aldred Junction to Shawinigan Falls.....	3.8	
Rivière-à-Pierre Junction to Garneau Junction.....	39.7	
Joliette to Grenville.....	66.0	
Rinfret to Huberdeau.....	45.3	
Arundel to China Clay Mine.....	9.2	
St. Marc Quarries Spur.....	1.9	
		469.3

Saguenay Division—

Hedley Junction to Lake Edward.....	109.7	
Lake Edward to Chicoutimi.....	115.1	
Linton Junction to LaTuque.....	39.6	
Chambord Junction to St. Felicien.....	29.7	
Loretteville to Stoneham.....	10.0	
Valcartier to Clarks.....	5.4	
Montmorency Junction to Mont. Mills.....	7.2	
		316.9

NOVA SCOTIA DISTRICT.

Halifax to Southwestern Jet.....	6.0	
Southwestern Jet. to Liverpool.....	110.2	
Liverpool to Yarmouth.....	136.2	
Mahone Junction to Lunenburg.....	7.0	
Bridgewater Junction to Port Wade.....	92.5	
Caledonia Junction to Caledonia.....	22.1	
Middleton Junction to Middleton.....	0.6	
		374.6

Forward..... 8,695.3

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Forward..... 2,222.2

MINNESOTA DISTRICT

Duluth to D.W. & P. Junction.....	3.6	
D.W. & P. Junction to North Jct. via Loop.....	75.5	
South Junction to Ranier (River).....	93.6	
		172.7
		9,559.5

ELECTRIC LINES IN PROVINCE OF ONTARIO

Port Dalhousie to Niagara Falls.....	17.5	
Thorold to Port Colborne.....	18.6	
Niagara Falls to Fallsview.....	4.6	
St. Catharines to Niagara-on-the-Lake.....	12.2	
Local Lines at St. Catharines, Thorold and Merritton.....	8.7	61.6
Toronto to Woodbridge.....	12.0	
Toronto to Lambton.....	2.1	
Lambton to Guelph.....	46.3	
Local Lines to Toronto.....	4.2	64.6
Total Mileage Operated.....		9,685.7

LOCATED AS FOLLOWS:

Province of Nova Scotia.....	374.6	
Province of Quebec.....	729.4	
Province of Ontario.....	2,324.6	
Province of Manitoba.....	1,995.7	
Province of Saskatchewan.....	2,219.1	
Province of Alberta.....	1,295.4	
Province of British Columbia.....	530.5	
State of Minnesota.....	216.4	
Total Mileage.....		9,685.7
Average miles operated for Fiscal Year.....		9,636

SUMMARY OF MILEAGE.

Mileage owned by Canadian Northern Railway System.....			1,183.1
Joint running rights, etc.—			
Toronto to Rosedale.....	G.T.R.	3.8	
Grand Trunk Crossing, Orillia.....	C.P.R.	2.8	
Harrowsmith to Kingston.....	C.P.R.	18.6	
Riverside to Ottawa Union Station.....	G.T.R.	1.7	
Current River to Port Arthur.....	C.P.R.	2.1	
C.N. Junction to Regina.....	C.P.R.	0.8	
Chip Lake to Obed.....	G.T.P.	77.5	
Snaring to Geikie.....	G.T.P.	20.6	
New Westminster to Vancouver.....	Gr. Nor.	13.1	
Halifax to Southwestern Jct.....	C.G.R.	6.0	
Middleton Jct. to Middleton.....	D.A.R.	0.6	
Duluth to D.W. & P. Jct.....	Nor. Pac.		
	C. St. P.		
	M. & O.	3.6	
Otway to Ullen (Brazeau).....	C.P.R.	4.1	155.3
Lines Leased—			
Northern Pacific in Manitoba.....		347.3	347.3
Total mileage operated.....			9,685.7